

**Downtown Development Authority
Shreveport, Louisiana**

Financial Statements With Auditors' Report

As of and For the Year Ended December 31, 2012

Downtown Development Authority
Shreveport, Louisiana

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Required Supplementary Information <i>Management's Discussion and Analysis</i>	3 – 7
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet -- Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13 – 23
Required Supplementary Information	
Budgetary Comparison Schedule -- Governmental Funds	24
Notes to Required Supplementary Information	25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	26 – 27
Schedules For Louisiana Legislative Auditor	
Summary Schedule of Prior Year Audit Findings	28
Corrective Action Plan For Current Year Audit Findings	28

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Independent Auditors' Report

Downtown Development Authority
Shreveport, Louisiana

We have audited the accompanying financial statements of the governmental activities and major fund of Downtown Development Authority, a component unit of the City of Shreveport, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Downtown Development Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Downtown Development Authority as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages and 3 - 7 and on pages 24 - 25, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, on our consideration of Downtown Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Downtown Development Authority's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 7, 2013

DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF SHREVEPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Our discussion and analysis of Downtown Development Authority's (DDA) financial performance provides an overview of DDA's financial activities for the year ended December 31, 2012. Please read this in conjunction with our financial statements which begin on page 8.

Financial Highlights

- The DDA's net position increased as a result of this year's operations. As shown in the Statement of Activities, net position increased \$303,778 or approximately 18 percent compared to prior year.
- The DDA's total revenues increased \$282,451 or approximately 19 percent when compared to prior year.
- Administrative and program expenditures totaled \$1,490,380 for 2012 or approximately 1 percent less than prior year.

These changes are discussed in detail in the following paragraphs.

Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, provide information about the activities of the DDA as a whole and present a long-term view of the DDA's finances. The fund financial statements, which include the Balance Sheet-Government Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds, detail how services were financed in the short term as well as what remains for future spending.

The Statement of Net Position and the Statement of Activities

Our analysis of the DDA as a whole is shown at the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the DDA's finances is, "Is the DDA as a whole better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the DDA as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the DDA's net position and associated changes in them. One can think of the DDA's net position, the difference between assets and liabilities, as one way to measure the DDA's financial health, or financial position. Over time, increases or decreases in the DDA's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other factors, however, such as changes in the DDA's property tax base, to assess the overall health of the DDA.

In the Statement of Net Position and the Statement of Activities all of the DDA's functions and programs are reported as governmental activities. Property taxes, grants and contracts with the City of Shreveport finance these activities. The DDA does not have business-type activities or component units.

Fund Financial Statements

The fund financial statements include the Balance Sheet-Government Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds and provide detailed information about the DDA's government funds. Government funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the DDA's government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the DDA's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The DDA has no proprietary (business-type) funds. For purposes of the fund financial statements, all of the DDA's revenues and expenditures are reported in the general fund.

The DDA as a Whole and the DDA's Funds

For DDA, revenue and expenses are essentially the same under the accrual and the modified accrual bases of accounting mentioned earlier. Certain differences apply to accounting for fixed asset acquisitions, depreciation and proceeds of long-term debt. For the government-wide statements, fixed assets are recorded at cost in the Statement of Net Position and depreciation is provided for over the estimated useful life of the assets. For the fund statements, fixed assets are accounted for as capital outlay expenditures upon acquisition and no provision for depreciation is necessary. Fixed asset additions during 2012 totaled \$149,811 for construction costs applicable to renovation of a building at 1215 Texas Street. Fixed assets at December 31, 2012 include the following:

Costs Applicable to Acquisition of Building at 708 Texas Street	\$ 83,814
Costs Applicable to Renovation of Building at 710 Texas Street	745,317
Costs Applicable to Acquisition and Renovation of Building at 1215 Texas Street	206,119
Downtown Security Equipment and Construction	43,130
Streetscape and Parking Program Equipment	214,309
Office Equipment and Leasehold Improvements	<u>115,440</u>
	<u>\$1,408,129</u>

During December 2004, DDA issued Series 2004 Revenue Bonds. The proceeds from this bond issuance totaled \$3,000,000 and were used for various acquisitions and capital improvement projects in the Downtown Development District in a manner consistent with DDA's 2010 plan previously approved by the Shreveport City Council. During 2009, the DDA retired this bond issue and issued revenue refunding bonds totaling \$1,100,000 in an effort to reduce its total debt service payments. At December 31, 2012, the outstanding principal balance of the bond issue totals \$950,000. The revenue refunding bonds will be repaid over a fifteen-year period and principal and interest payments for 2013 are expected to total approximately \$93,843.

As detailed in the following comparative summary of the Statement of Net Position, total assets at the close of the year 2012 increased \$390,488 or approximately 16 percent when compared to prior year. This increase in total assets is primarily attributable to an increase in total revenues resulting from an 8 percent increase in property tax revenues and a \$250,000 nonrecurring grant of which \$200,000 was received during 2012.

	December 31	
	<u>2012</u>	<u>2011</u>
Assets:		
Cash-Unrestricted	\$ 826,719	\$ 564,690
Property Taxes Receivable	990,895	945,921
Capital Assets (Net of Accumulated Depreciation)	933,571	848,842
Other Assets	<u>34,341</u>	<u>35,585</u>
Total Assets	<u>2,785,526</u>	<u>2,395,038</u>
Liabilities:		
Notes Payable-Revenue Bonds	1,055,000	1,055,000
Deferred Cost on Refunding	(310,768)	(322,491)
Other Liabilities	<u>119,603</u>	<u>44,616</u>
Total Liabilities	<u>863,835</u>	<u>777,125</u>
Net Position:		
Invested in Capital Assets	933,571	848,842
Restricted	407,014	222,262
Unrestricted	<u>581,106</u>	<u>546,809</u>
Total Net Position	<u>1,921,691</u>	<u>1,617,913</u>
Total Liabilities and Net Position	<u>\$ 2,785,526</u>	<u>\$ 2,395,038</u>

As the DDA completed the year, its net position totaled \$1,921,691, which is \$303,778 greater than last year's total of \$1,617,913. This increase is detailed in the following comparative summary of the Statement of Activities:

	Year Ended December 31		Increase (Decrease)
	<u>2012</u>	<u>2011</u>	
Revenues:			
Property Taxes	\$ 852,144	\$ 789,424	\$ 62,720
Charges for Services	658,147	629,405	28,742
Investment Income	3,382	2,731	651
Expense Reimbursements	45,000	45,000	
Grants and Contributions	200,000	15,000	185,000
Miscellaneous	<u>35,485</u>	<u>30,147</u>	<u>5,338</u>
Total Revenue	1,794,158	1,511,707	282,451
Expenditures:			
Administrative	572,433	570,963	1,470
Interest on Long-Term Debt	124,712	129,973	(5,261)
Programs/Projects:			
Parking Services	383,801	367,978	15,823
Streetscape Maintenance	303,882	323,651	(19,769)
Other Programs and Projects	<u>105,552</u>	<u>113,324</u>	<u>(7,772)</u>
Total Expenditures	<u>1,490,380</u>	<u>1,505,889</u>	<u>(15,509)</u>
Change of Net Position	303,778	5,818	\$ 297,960
Net Position at Beginning of Year	<u>1,617,913</u>	<u>1,612,095</u>	
Net Position at End of Year	<u>\$ 1,921,691</u>	<u>\$ 1,617,913</u>	

As detailed in the above table, DDA's total revenues increased \$282,451 and total expenditures decreased \$15,509. As previously mentioned, the increase in revenue is due primarily to an 8 percent increase in property tax revenue and nonrecurring grant income received during the year totaling \$200,000 which is to be used for marketing of downtown Shreveport.

Overall, administrative expenses and expenditures for programs and projects remained consistent with 2011.

Included in charges for services in the above table are the following:

	Year Ended December 31	
	<u>2012</u>	<u>2011</u>
Contracts with City of Shreveport:		
Parking Services	\$362,000	\$362,000
Streetscape Maintenance Services	257,500	250,000
Other Streetscape Service Revenues	32,095	15,005
Other Parking Service Revenue	<u>6,552</u>	<u>2,400</u>
	<u>\$658,147</u>	<u>\$629,405</u>

Parking Services

DDA has contracted with the City of Shreveport to manage the City's downtown parking system. The contract's term is for a three-year period ending December 31, 2013 and may be renewed at conclusion of the contracted period. DDA's basic responsibilities under this contract include:

1. Enforcement of parking and no parking zones.
2. Collection of funds from and maintenance of parking meters.
3. Issuance of parking citations and collection of payments.
4. Recommendations for parking improvements and planning.

Expenses incurred by DDA during 2012 applicable to the parking program increased \$15,823 compared to 2011 and is \$21,801 greater than revenues under the contract. This amount in excess of contract revenue has been absorbed by DDA. The increased expense is attributable to expense associated with intensified collection efforts. DDA anticipates recouping this amount during 2013.

Streetscape Maintenance Services

DDA entered into a contract with the City of Shreveport to manage and maintain the City's downtown streetscape areas. DDA's basic duties under this contract include landscape maintenance, litter pick-up, street sweeping and holiday decorations. This contract has a one-year term and is renewable annually. Expenses applicable to the streetscape maintenance program totaled \$303,882 for 2012 which is \$14,287 greater than streetscape service revenues totaling \$289,595. This amount in excess of contract revenues has been absorbed by DDA.

General Fund Budgetary Highlights

The DDA submits a budget at the beginning of each year for approval by the DDA board and the City Council. The budget submitted by DDA was revised once during the year. As detailed in the following financial statement, DDA reports revenues and expenses under the accrual basis of accounting.

Actual revenues for the year were greater than budgeted revenues by \$208,559. The difference is due primarily to unbudgeted grant revenue totaling \$200,000 for marketing of downtown Shreveport.

Budget expenditures were greater than actual expenditures by \$213,954. This variance is due primarily to overestimated capital outlay expenditures for budgetary purposes.

Next Year's Budget

Revenues under the parking management contract with the City of Shreveport are expected to total \$362,000 for 2013. The base contract for 2013 is consistent with 2012.

Revenues under the streetscape contract with the City of Shreveport are expected to total \$250,000 for 2013 which is consistent with 2012.

Budgeted property tax revenues for 2013 are \$772,023, which is a 10 percent decrease compared to 2012 collections.

Contacting DDA's Financial Management

This financial report is designed to provide taxpayers, customers and creditors with a general overview of the DDA's finances and to show the DDA's accountability for the money it receives. For questions concerning this report or if additional financial information is needed, contact the Downtown Development Authority at 401 Edwards Street, Suite 205, Shreveport, Louisiana, (318) 222-7403.

Downtown Development Authority
Shreveport, Louisiana
Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 826,719
Receivables	990,895
Prepaid expenses	19,616
Deferred bond issuance costs	14,725
Capital assets (net)	<u>933,571</u>
Total assets	<u>2,785,526</u>
LIABILITIES	
Accounts payable	77,635
Accrued expenses	19,270
Due to City of Shreveport	22,698
Long-term liabilities:	
Due within one year	65,056
Due in more than one year	<u>679,176</u>
Total liabilities	<u>863,835</u>
NET POSITION	
Investment in capital assets	933,571
Restricted for City of Shreveport-Shrevepark Parking	207,014
Restricted for Downtown Development-promotion/marketing	200,000
Unrestricted	<u>581,106</u>
Total net position	<u><u>\$ 1,921,691</u></u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Statement of Activities
For the Year Ended December 31, 2012

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Functions and Programs:</u>				
Downtown Development	\$ 677,985	\$	\$ 200,000	\$ (477,985)
Streetscape Program	303,882	289,595		(14,287)
Parking Program	383,801	368,552		(15,249)
Interest on long-term debt	124,712			(124,712)
 Total Functions and Programs	 <u>\$ 1,490,380</u>	 <u>\$ 658,147</u>	 <u>\$ 200,000</u>	 <u>(632,233)</u>
<u>General Revenues:</u>				
Ad valorem Taxes				852,144
Interest and Investment Earnings				3,382
Expense Reimbursements				45,000
Miscellaneous				<u>35,485</u>
Total general revenues				<u>936,011</u>
Change in Net Position				303,778
Net Position at Beginning of Year				<u>1,617,913</u>
Net Position at End of Year				<u>\$ 1,921,691</u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Balance Sheet
Governmental Funds
December 31, 2012

Assets	
Cash and cash equivalents	\$ 826,719
Receivables	990,895
Prepaid expenses	19,616
Total assets	<u>\$ 1,837,230</u>
Liabilities	
Accounts payable	\$ 77,635
Accrued expenses	11,616
Due to City of Shreveport	22,698
Deferred revenue	34,470
Total liabilities	<u>146,419</u>
Fund balances	
Nonspendable	
Prepays	19,616
Restricted	
City of Shreveport-Shrevepark Parking	207,014
Downtown Development-promotion/marketing	200,000
Unassigned	1,264,181
Total fund balances	<u>1,690,811</u>
Total liabilities and fund balances	<u>\$ 1,837,230</u>
Total fund balances - governmental funds	\$ 1,690,811

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (net of accumulated depreciation of \$474,558).	933,571
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	34,470
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Deferred bond issuance costs are capitalized and amortized over the life of the bond issue for the government-wide statements, but are reported as expenditures in the governmental funds.	14,725
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Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities are shown net of the deferred amount on refunding, which is capitalized and amortized over the life of the bond issue.	<u>(751,886)</u>
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Net position of governmental activities	<u>\$ 1,921,691</u>
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See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

Revenues:	<u>General</u>
Ad valorem taxes	\$ 850,663
Expense reimbursements	45,000
Charges for services	658,147
Contributions	4,625
Miscellaneous	5,499
Intergovernmental - grant	200,000
Interest income	3,382
Total revenues	<u>1,767,316</u>
 Expenditures:	
Current:	
General government:	
Downtown development	585,266
Streetscape maintenance	304,221
Parking services	382,111
Capital outlay	149,881
Debt Service:	
Principal payment	55,000
Interest and other charges	60,300
Total expenditures	<u>1,536,779</u>
 Excess (deficiency) of revenues over (under) expenditures	 230,537
 Fund balances at beginning of year	 <u>1,460,274</u>
 Fund balances at end of year	 <u><u>\$ 1,690,811</u></u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balances - total governmental funds	\$ 230,537
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$149,881) exceeded depreciation (\$60,639) in the current period.	89,242
A loss on disposal of capital assets is recorded in the statement of activities, but is not recognized in the fund statements.	(4,513)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	55,000
Bond issuance costs and deferred amount on refunding are capitalized and amortized over the life of the bond issue for the government-wide statements, but are reported as expenditures in the governmental funds.	(64,412)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(3,557)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>1,481</u>
Change in net position of governmental activities	<u>\$ 303,778</u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012

INTRODUCTION

The Downtown Development Authority (DDA), a component unit of the City of Shreveport, is an organization established by an ordinance of the City of Shreveport to provide for the revitalization of downtown Shreveport. Its purpose is to coordinate the efforts of the public and private sectors for the economic and overall development of the Downtown Development District, a special taxing district within the City of Shreveport created by an act of the Louisiana State Legislature. The governing authority of the DDA is a board of directors consisting of seven voting members and two non-voting ex-officio members. The voting members are appointed by the Mayor of the City of Shreveport and confirmed by the City Council for three-year terms. The ex-officio members are the Mayor and the executive director of DDA. The board members do not receive compensation for serving on the board. The governing authority of the DDA board was established by an ordinance of the City of Shreveport.

(1) *Summary of Significant Accounting Policies*

The Downtown Development Authority's financial statements are prepared in conformity with governmental accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the DDA are discussed below.

A. *Reporting Entity*

The DDA was determined to be a component unit of the City of Shreveport for the following reasons:

The City of Shreveport appoints the members of the board of directors of DDA. The DDA must submit to the City its proposals, programs and recommendation for the levy of special ad valorem taxes. The City also has the ability to modify or approve the budget of the DDA and its plan of work.

The accompanying financial statements present information only on the funds maintained by the DDA and do not present information on the City of Shreveport, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. *Basic Financial Statements – Government-Wide Statements*

The DDA's basic financial statements include both government-wide (reporting the funds maintained by the DDA as a whole) and fund financial statements (reporting the DDA's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The DDA's general fund is classified as a governmental activity. The DDA does not have any business-type activities, component units, or fiduciary funds.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as all long-term debt and obligations. The DDA's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The DDA first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the DDA's functions. The functions are also supported by general government revenues (property taxes, expense reimbursements, and interest income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function. Program revenues of DDA include contractual payments under its parking and streetscape programs. Operating grants include operating-specific and discretionary (either operating or capital) grants. The net costs (by function) are normally covered by general revenue (property taxes, expense reimbursements, interest income, etc.).

This government-wide focus is more on the sustainability of the DDA as an entity and the change in the DDA's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the DDA are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the DDA:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the DDA:
 - a. General fund – Currently the DDA has only one fund, the general fund, which is used to account for all financial resources and expenditures.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due. Depreciation is not recognized in the governmental fund financial statements.

E. Cash and Cash Equivalents

Cash includes amounts in petty cash, demand deposits, and interest bearing demand deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less when purchased. Under state law, the DDA may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the DDA's investment policy. If the original maturities of investments exceed ninety (90) days, they are classified as investments; however, if the original maturities are ninety (90) days or less, they are classified as cash equivalents.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	7 years
Furniture and fixtures	7 years
Vehicles	5 years
Buildings and improvements	30 years

For fund financial statements, capital assets are recorded as expenditures in the governmental funds at the time purchased. No depreciation is recorded in the fund financial statements.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

H. Long-term Debt

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists of revenue refunding bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest are reported as expenditures.

I. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

J. Compensated Absences

DDA's formal leave policy provides for the accumulation or vesting of leave. Employees are allowed to carryover a maximum of five days of leave to the following year. Upon termination, no payment will be made for carryover leave.

K. Net Position

Government-wide net position is divided into three components: Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by the DDA's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (less related liabilities and deferred inflows of resources). All other net position is reported as unrestricted net position. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), DDA's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

L. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

3. **Committed** - amounts that can be used only for the specific purposes as a result of constraints imposed by the board of directors (the DDA's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of directors remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. **Assigned** - amounts that are constrained by the DDA's intent to be used for specific purposes, but are neither restricted nor committed.
5. **Unassigned** - all amounts not included in other spendable classifications

The DDA's policy is to apply expenditures against restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

(2) **New Accounting Standard**

Effective January 1, 2012, the DDA implemented the following GASB statement: GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

(3) **Ad Valorem Taxes and Deferred Revenue**

Ad valorem tax revenues for 2012, which will be collected by the DDA in the year 2013, are \$876,099 and a millage rate of 8.64. DDA's receivable for ad valorem taxes is subject to adjustment by the Louisiana Tax Commission and a possible adjustment depending on final ad valorem tax receipts. Ad valorem taxes are levied on December 1 and due by December 31 of each year. The current expiration of the levy is 2027. The City of Shreveport collects the ad valorem taxes and remits to DDA periodically. DDA recognizes ad valorem tax revenues when they are levied by the City of Shreveport for the government-wide financial statements, in accordance with the accrual basis of accounting. For the fund financial statements, ad valorem tax revenues are recognized under the modified accrual basis of accounting, when they are both measurable and available.

Amounts not collected within the availability period of 60 days are reported as deferred revenues as of December 31, 2012. Approximately 28% of DDA's tax revenues are derived from two taxpayers, and a total of 67% is derived from ten taxpayers.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(4) **Budgets**

DDA's budgetary calendar is January 1 through December 31 of each year. The 2012 budget, prepared by the Executive Director, was approved by the DDA board and the City Council. An abbreviated version of the budget as illustrated in the city ordinance was published in official journal of the City newspaper. There was one amendment to the 2012 budget during the year. Unexpended budget balances lapse at the end of the year.

The 2012 budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP) except for property taxes which are budgeted on the cash basis.

(5) **Cash and Cash Equivalents**

At December 31, 2012, the DDA has cash and cash equivalents (book balances) totaling \$826,719 as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2012 (book balances) totaled \$826,719. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2012, \$584,409 of the government's bank balance of \$834,409 was exposed to custodial credit risk as uninsured deposits protected and collateralized with pledged securities held by the custodial bank's trust department in DDA's name.

Even though deposit amounts protected by the pledged securities are considered (Category 2) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance at Jan. 1, 2012	Additions	Deletions	Transfers	Balance at Dec. 31, 2012
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Construction in Process	\$	\$ 149,881	\$	\$	\$ 149,881
Idle assets	109,506		(43,604)	(15,665)	50,237
Land	80,000				80,000
Total Capital assets, not being depreciated	189,506	149,881	(43,604)	(15,665)	280,118
Capital assets, being depreciated:					
Leasehold improvements	52,369				52,369
Buildings	798,261				798,261
Equipment and furniture	47,645		(558)	31,650	47,087
Streetscape equipment	74,760			(15,985)	74,760
Parking program equipment	139,869				139,869
Total capital assets, being depreciated, at historical cost	1,112,904		(558)	15,665	1,128,011
Less accumulated depreciation:					
Leasehold improvements	(22,841)	(1,746)			(24,587)
Buildings	(207,674)	(26,486)			(234,160)
Equipment and furniture	(36,388)	(9,223)	558		(45,053)
Streetscape equipment	(94,258)	(8,206)	39,091		(63,373)
Parking program equipment	(92,407)	(14,978)			(107,385)
Total accumulated depreciation	(453,568)	(60,639)	39,649		(474,558)
Total capital assets, being depreciated, net	659,336	(60,639)	39,091	15,665	653,453
Governmental activities capital assets, net	\$ 848,842	\$ 89,242	\$ (4,513)		\$ 933,571

Depreciation expense for the year ended December 31, 2012 was charged to the various functions of DDA as follows:

Downtown Development	\$ 37,455
Streetscape Program	8,206
Parking Program	14,978
Total	<u>\$ 60,639</u>

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(7) Accounts Receivable

The following is a summary of receivables at December 31, 2012:

<u>Class of Receivable</u>	<u>Amount</u>
Property taxes	\$ 876,099
City of Shreveport	104,433
Related party receivables – DSDC and DSU	10,168
Other	<u>195</u>
Total	<u>\$ 990,895</u>

(8) Leases

The DDA leases certain property, office space and equipment under operating leases. Rental costs on the leases for the year ended December 31, 2012, was \$80,025.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2013	64,383
2014	57,666
2015	37,497
2016	8,041
2017	<u>2,680</u>
Total minimum future rentals	<u>\$ 170,267</u>

(9) Retirement Plan

DDA maintains a defined contribution pension plan covering all employees over age 20 with three or more months of qualified service. Nationwide Retirement Solutions administers the plan. Required contributions to the plan, equal to 3% of covered payroll, amounted to \$15,764 for the year ended December 31, 2012. Account balances are fully vested after five years of service. Employer contributions are reported as follows for the year ended December 31, 2012:

Administrative	\$ 7,665
Street	3,453
Parking	<u>4,646</u>
Total	<u>\$ 15,764</u>

(10) Risk Management

The DDA purchases commercial insurance to provide workers compensation and general liability and property insurance. There were no significant reductions in insurance coverage from the previous year.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(11) Long-term Debt

At December 31, 2012, long-term debt consisted of the following:

Refunding Bonds, Series 2009, dated November 2, 2009, semi-annual payments of interest only and annual payments of principle and interest. Annual debt service of approximately \$113,000. Interest rate of 3.915%. Final payment November 1, 2024.	\$ 950,000
Less current installments on long-term debt	(55,000)
Less deferred amount on refunding	(215,824)
Total non-current liabilities	<u>\$ 679,176</u>

In November, 2009, DDA issued \$1,100,000 in revenue refunding bonds, series 2009, with an interest rate of 6.0 percent, to refund \$2,275,000 of outstanding revenue bonds, series 2004, with an interest rate of 5.88 percent. The amount deferred on refunding is the difference between reacquisition price of the old debt (principal amount remaining on the old debt plus call premium paid to refund the debt) and the net carrying amount of the old debt (amount due at maturity for the old debt minus the unamortized debt issue costs related to the old debt). The amount deferred is amortized over the remaining life of the original revenue bonds, which is shorter than the original life of the new debt. In 2012, DDA obtained an interest rate reduction, lowering the interest rate from 6.0% to 3.915%.

Changes in long-term debt for the year ended December 31, 2012 are summarized as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amount Due Within One Year
Refunding Bonds	\$ 1,005,000	\$ -	\$ 55,000	\$ 950,000	\$ 55,000
Compensated Absences	8,783	1,483	-	10,266	10,266
	<u>1,013,783</u>	<u>-</u>	<u>56,708</u>	960,266	65,266
Less current portion				(210)	(210)
Total long-term liabilities, governmental activities				<u>\$ 960,056</u>	<u>\$ 65,056</u>

Annual requirements to retire long-term debt are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	55,000	38,843	93,843
2014	60,000	35,039	95,039
2015	65,000	32,690	97,690
2016	70,000	30,145	100,145
2017	70,000	27,405	97,405
2018-2022	425,000	92,003	517,003
2023-2024	205,000	12,136	217,136
	<u>\$ 950,000</u>	<u>\$ 268,261</u>	<u>\$ 1,218,261</u>

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(12) Related Party Transactions

Contracts with City of Shreveport

DDA has entered into two contracts with the City of Shreveport. The following provides information in regards to those contracts.

(1) *Management and maintenance services for the streetscape areas*

DDA's contract with the City of Shreveport to manage and maintain the downtown streetscape areas was a one year contract beginning January 1, 2006 and was extended in 2007, 2008, 2009, 2010, 2011, and again in 2012 for one year periods. Payments under this contract for 2012 total \$257,500, of which \$42,917 was a receivable at December 31, 2012.

(2) *Parking system management*

DDA's contract with City of Shreveport to manage the downtown parking system is a three year contract beginning January 1, 2011 and ending December 31, 2013. Payments under this contract for 2012 total \$362,000, of which \$60,333 was a receivable at December 31, 2012.

Downtown Shreveport Development Corporation Activity

Downtown Shreveport Development Corporation (DSDC), a nonprofit organization, utilizes the professional staff of DDA. DDA has entered into a contract with DSDC, effective January 1, 2012 through December 31, 2012. The following provides information in regards to the contract.

DSDC will pay DDA for administrative services. Amounts paid to DDA by DSDC for administrative services for 2012 was \$30,000.

DSDC will pay DDA to operate and manage a downtown parking lot. Amounts earned by DDA for this service for 2012 was \$6,552.

DSDC will pay DDA for streetscape services for a downtown parking lot leased by DSDC. Amounts earned by DDA for this service for 2012 was \$32,095.

Downtown Shreveport Unlimited Activity

Downtown Shreveport Unlimited (DSU), a non-profit organization, utilizes the professional staff of DDA under an annual contract. The following provides information in regards to the contract.

DSU will pay DDA for administrative services. Amounts paid to DDA by DSU for administrative services for 2012 was \$15,000.

DDA serves as paymaster for an employee hired exclusively for DSU. DSU reimburses DDA for the personnel costs for the employee. Costs incurred under this arrangement for 2012 totaled approximately \$85,059.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(13) Commitments

As of December 31, 2012, the DDA has a commitment for a signed construction contract of approximately \$298,246. As of December 31, 2012, approximately \$120,770 had been incurred on the contract, and the balance remaining will be incurred subsequent to December 31, 2012.

(14) Subsequent events

Subsequent events have been evaluated through June 7, 2013, the date the financial statements were available to be issued.

(15) Accrued Expenses

Accrued expenses at December 31, 2012, consisted of the following:

Accrued Leave	\$ 210
Miscellaneous	<u>11,406</u>
Total – fund statements	11,616
 Accrued interest	 <u>7,654</u>
Total – Government-wide statements	<u>\$ 19,270</u>

(16) Due to City of Shreveport

At December 31, 2012 \$22,698 was due to the City of Shreveport for parking violations collected but not yet remitted.

(17) Contingency

DDA is the defendant in one lawsuit, the ultimate outcome of which is not presently determinable. However, DDA does not believe that the outcome will have a material adverse effect on the accompanying financial statements.

Downtown Development Authority
Shreveport, Louisiana
Budgetary Comparison Schedule
Governmental Funds - General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 763,500	\$ 772,023	\$ 775,798	\$ 3,775
Expense reimbursements	45,000	45,000	45,000	
Charges for services	628,200	654,500	658,147	3,647
Contribution		9,769	4,625	(5,144)
Miscellaneous income	14,000		5,499	5,499
Grant revenue			200,000	200,000
Interest income	2,600	2,600	3,382	782
Total revenues	<u>1,453,300</u>	<u>1,483,892</u>	<u>1,692,451</u>	<u>208,559</u>
Expenditures:				
Current:				
General government:				
Downtown development	676,733	665,433	585,266	80,167
Streetscape maintenance	288,200	278,000	304,221	(26,221)
Parking services	356,800	362,000	382,111	(20,111)
Capital outlay		330,000	149,881	180,119
Debt Service:				
Principal payment	55,000	55,000	55,000	
Interest and other charges	60,300	60,300	60,300	
Total expenditures	<u>1,437,033</u>	<u>1,750,733</u>	<u>1,536,779</u>	<u>213,954</u>
Excess of revenues over (under) expenditures	16,267	(266,841)	155,672	422,513
Fund balance at beginning of year		330,000	693,511	363,511
Fund balance at end of year	<u>\$ 16,267</u>	<u>\$ 63,159</u>	<u>\$ 849,183</u>	<u>\$ 786,024</u>

Downtown Development Authority
Shreveport, Louisiana
Notes to Required Supplementary Information
December 31, 2012

The 2012 budget was adopted on a basis consistent with U.S. general accepted accounting principles (GAAP) except for property taxes which are budgeted on the cash basis. There was one amendment to the 2012 budget. Budget comparison statements included in the accompanying financial statements include the original and amended budget. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ 155,672
Adjustments:	
Revenue accruals – net	<u>74,865</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 230,537</u>

COOK & MOREHART

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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Independent Auditors' Report

Downtown Development Authority
Shreveport, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Downtown Development Authority as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Downtown Development Authority's basic financial statements, and have issued our report thereon dated June 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Downtown Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Downtown Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Downtown Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

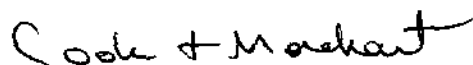
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Downtown Development Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
June 7, 2013

Downtown Development Authority
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2012

Summary Schedule of Prior Audit Findings and Corrective Action Plan

There were no findings for the prior year audit for the year ended December 31, 2011.

Corrective Action Plan for Current Year Audit Findings

There are no findings for the current year audit for the year ended December 31, 2012.